

France: Exports cause real GDP to contract in Q3 2013

- Real GDP in France declined 0.1% QoQ in Q3 2013, following a growth of 0.5% in Q2 2013. In YoY terms also, GDP increased 0.2% last quarter, slower than the growth of 0.5% in the second quarter of 2013.
- The primary cause of the decline in GDP in Q3 2013 was a sharp fall in exports, which, along with higher imports, led to large increase in net imports, which deducted 0.71 percentage points from real GDP growth in the third quarter of 2013.
- Notably, a build-up in inventories in Q3 2013, which came after stock withdrawals in the past 5 consecutive quarters, added 0.50 percentage points to GDP growth last quarter.

The primary cause of a contraction in GDP was exports, which declined 1.5% QoQ in Q3 2013, marking the highest fall in the past 18 quarters

A build-up in inventories, after witnessing withdrawals in the past five consecutive quarters, added 0.50 percentage points to real GDP growth in Q3 2013

In Q3 2013, fixed investment (or GFCF) declined 0.6% QoQ, faster than 0.4% in Q2 2013, marking its seventh consecutive quarterly decline

French economy contracts on the back of lower exports...

French GDP declined 0.1% QoQ (+0.2% YoY) in Q3 2013, marking its fourth decline in the past six quarters. This follows a growth of 0.5% QoQ in Q2 2013, which came after two consecutive declines. Accordingly, French real GDP was 0.3% lower than its all-time peak reached in the first quarter of 2008.

The primary cause of a contraction in GDP was exports, which declined 1.5% QoQ in Q3 2013, marking the highest fall in the past 18 quarters. Along with a growth of 1.0% in imports, net imports increased (or net exports declined) sharply last quarter and deducted 0.71 percentage points from real GDP growth in Q3 2013.

In nominal terms, French GDP was unchanged QoQ (+1.2% YoY) in Q3 2013, as against a growth of 0.7% QoQ (+1.7% YoY) in Q2 2013.

Excluding inventories, real GDP contracted 0.7% in Q3 2013

While net imports deducted significantly from real GDP growth, a build-up in inventories, after witnessing withdrawals in the past five consecutive quarters, added 0.50 percentage points to real GDP growth in Q3 2013. Consequently, real GDP, excluding inventories, declined 0.7% QoQ in Q3 2013, as against a growth of 0.4% in the previous quarter.

Thus, as shown in the chart below, although real GDP contracted 0.1% QoQ in Q3 2013, almost the entire decline came through net exports, which was high enough to offset the entire positive contribution of inventories build-up.

Investment continues to lag consumption

As we had pointed out in our previous update also*, French investment continues to decline despite growing private consumption expenditure. In Q3 2013, fixed investment (or GFCF) declined 0.6% QoQ, faster than 0.4% in Q2 2013, marking its seventh consecutive quarterly decline.

Major components of French GDP

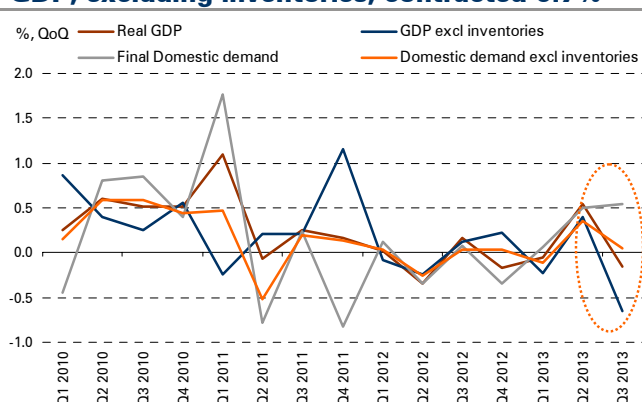
	QoQ (%)			Contribution to QoQ GDP growth (per cent points)		
	Q3 2012	Q2 2013	Q3 2013	Q2 2012	Q1 2013	Q2 2013
Private Consumption Expenditure (PCE)*	0.1	0.4	0.2	0.08	0.26	0.09
General Consumption Expenditure (GCE)	0.4	0.7	0.2	0.10	0.18	0.06
Gross Fixed capital Formation (GFCF)	-0.7	-0.4	-0.6	-0.14	-0.07	-0.10
GFCF: Private	-0.8	-0.5	-0.6	-0.12	-0.08	-0.10
GFCF: Government	-0.6	0.3	-0.2	-0.02	0.01	-0.01
Inventories	...	...	...	0.05	0.15	0.50
Net Exports	...	...	...	0.09	0.05	-0.71
Exports	0.2	1.9	-1.5	0.06	0.52	-0.41
Imports	-0.1	1.6	1.0	-0.02	0.47	0.29
Gross Domestic product (GDP)	0.2	0.5	-0.1	0.17	0.55	-0.15

Source: INSEE, ICICI Bank Research

* includes households and Non-Profit Institutions serving households (NPISHs)

Private GFCF is GFCF excluding General Government share

GDP, excluding inventories, contracted 0.7%



Source: INSEE, ICICI Bank Research

Domestic Demand excludes external trade

* http://treasury-research.icicibank.com/UploadFiles/France_Q2_2013_GDP_August_2013.pdf

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